

# SCHIP Reauthorization & Financing: How Might California Fare?

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# Contents



- ❖ Purpose
- ❖ SCHIP: A Financing Overview
- ❖ The Reauthorization Debate: Key Legislative Proposals
- ❖ Overview of Proposed Financing Reforms
- ❖ Potential Issues for California
- ❖ Update on Current Events

# Purpose



- ❖ To examine California's stake in the SCHIP reauthorization debate and inform policymakers of the fundamental structure of the proposed financing changes.
- ❖ To consider the potential implications for California's SCHIP Programs, including the Healthy Families Program.

# Background: SCHIP Financing



- ❖ \$40 billion over ten years (FY 1998-2007)
- ❖ Capped allotment structure (aka block grant)
- ❖ Allotments to states calculated based on several factors:
  - State's average population of low income children AND State's low-income, uninsured children population
  - State's medical inflation as a ratio of national medical inflation based on average annual healthcare worker salary
- ❖ After three years, unspent funds are redistributed to other states (or may revert back to the federal government).

# Background: SCHIP Financing



**SCHIP's financing structure has been criticized for being:**

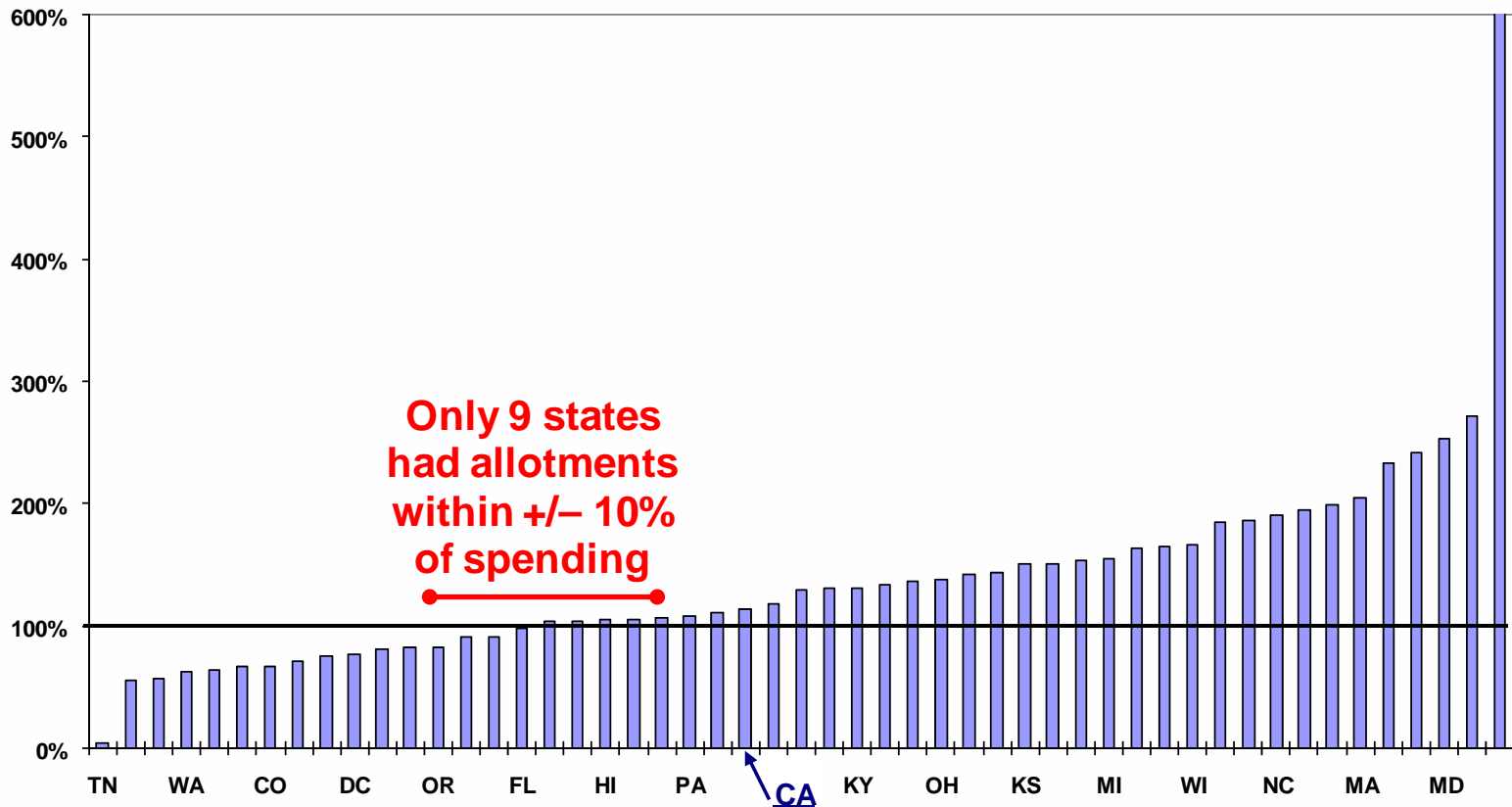
- ❖ Unresponsive to economic cycles,
- ❖ Inconsistently funded over the last ten years,
- ❖ Misdirected in accounting for new program start-up, and
- ❖ Inadequately targeted.

# Background: SCHIP Financing



## SCHIP Spending as Percent of Allotments, FY 2005

Source: C. Peterson, *SCHIP Original Allotments: Funding Formula Issues and Options*  
(Washington, D.C.: Congressional Research Service, 2006)



# Background: Programs Considered



California uses SCHIP funding for a variety of State programs.

- ❖ Healthy Families Program, including:
  - Severely Emotionally Disturbed (SED) Children
  - California Children's Services (CCS)
- ❖ Medi-Cal Associated Programs, including:
  - Presumptive Eligibility
  - Accelerated Enrollment
- ❖ Access for Infants & Mothers (AIM)
  - Prenatal Care

# Background: HFP in Context



- ❖ California spends more SCHIP dollars than any other state. Healthy Families Program (HFP):
  - Covers around 800,000 lives,
  - Costs over \$1 billion annually, and
  - Serves children up to 250% of the Federal Poverty Level, or FPL (\$43,380 for a family of 3 in 2007).



# Background: Reauthorization



## **Federal SCHIP funding expires on September 30, 2007.**

- ❖ The Senate Finance Committee is expected to “mark-up” a SCHIP reauthorization bill by the end of June. The House will likely follow sometime in July.
- ❖ There are two key bills that will likely serve as a framework for the “Chairman’s Mark” :
  - Dingell-Clinton (HR. 1535/S. 895) sponsored by the Chairman of the House Energy and Commerce Committee
  - Rockefeller-Snowe (S. 1224) sponsored by bipartisan members of the Senate Finance Committee.

# Background: Federal Budgeting



- ❖ Federal budget rules assume that “mandatory” programs, such as SCHIP, will continue to spend the same amount of money in future years as was spent in the final year of funding.
  - This amount is referred to as the “baseline” funding level.
- ❖ In terms of SCHIP, this means that the federal budget assumes that \$5.04 billion will be spent in the next year.
  - Thus, \$5.04 billion is the baseline funding level for SCHIP.
  - Or: the SCHIP federal baseline is \$25 billion over 5 years.

# Living with Pay-Go



- ❖ The number one issue is the size of the national allotment.
- ❖ Congress needs to find “offsets” to pay for any expansion to the program beyond the “baseline”.
- ❖ Potential Offsets:
  - Tobacco Tax increase.
  - Cutting Medicare Advantage payment rates.
  - Others?

# Dingell-Clinton: Overview



## The Children's Health First Act

- ❖ Expands coverage to 400% FPL (\$70,000 for a family of three in 2007)
- ❖ No national allotment cap. States guaranteed to receive as many federal matching funds as needed to correspond with state spending levels.
  - State allotments based on FY07 spending, indexed by national medical inflation, and the State's child population growth.
  - Redistribution becomes less important.
- ❖ Additional "Outreach Adjustment" funds are available to those states that exceed their target enrollment goals.
  - Based on number of additional enrollees and projected expenditures per person.

# Rockefeller-Snowe: Overview



## The CHIP Reauthorization Act of 2007

- ❖ Expands coverage to 300% FPL (\$51,500 for a family of three in 2007)
- ❖ Authorizes \$58.4 billion over 5 years. Revises state-specific allotment formula.
  - The Coverage Factor: FY 2007 spending (or other amount) indexed **by national** medical inflation and child population growth
  - The Uninsured Child Factor: Calculated based on state's share of the nation's low-income, uninsured children, adjusted for geographic variation.
    - Total amount available to states based on leftover allotment after accounting for 5% redistribution set aside, allotments to territories and the coverage factor.

# Rockefeller-Snowe: Overview



- ❖ Allotments are **rebased** every even numbered year.
- ❖ Guarantees states will receive at least the amount of previous year's allotment (adjusted for inflation and population growth) each year.
  - FY 08 allotment estimate would be \$1.28 billion.
- ❖ Revises redistribution formula, indicates that any remaining funds would be re-invested in the overall program (would not revert to U.S. Treasury).
  - 5% of the national allotment to be “set aside” to form the base of the redistribution pool.
  - Unspent state allotment funds will be added to the 5% to be reallocated to states that need additional funds.



# Issues for California



Both bills include significant expansion to, and better targeting of, SCHIP funding, which clearly benefits CA.

# Issues for California



## Rockefeller-Snowe: Allotments

- ❖ Base year allotment calculation could be inequitable to states; no process for reconciliation of Coverage Factor calculation.
- ❖ Uninsured Child Factor funding is uncertain and may not always be sufficient.
- ❖ Medical Inflation adjustment appears to be favorable to CA.
- ❖ Growth in child population uses a national average growth rate, rather than state-specific rates. This benefits states with growth below the national average. It is not clear if California would benefit under this approach.



# Issues for California



## **Population growth: Pregnant women**

- ❖ California is one of six states to receive federal SCHIP funds for covering pregnant women.
- ❖ Neither proposal takes into account population growth of pregnant women when calculating allotments. (Also applies to states that cover immigrant children with state-only funds)

## **Limiting Coverage to 200% FPL**

- ❖ President's budget limits SCHIP funds to children below 200%. Could result in loss of coverage for significant number of kids enrolled in HFP.
- ❖ 250% FPL may be a more appropriate definition of "low-income" in California.

# Issues for California



## How does a 200% FPL Compare in California to Other States? (200% FPL for a Family of Four in 2007 = \$41,300/year)

Large/Urban Metropolitan Areas:

<b>To maintain the same Standard of Living for San Francisco, CA to:</b>	<b>Atlanta, GA</b>	<b>Boston, MA</b>	<b>Washington DC</b>
You need a salary of:	\$ 23,969	\$ 34,050	\$ 34,245
Groceries will cost:	32.4% less	14.6% less	23.6% less
Housing will cost:	65.6% less	37.2% less	21.4% less
Healthcare will cost:	15.4% less	7.0% more	11.7% less

# Enrollment Bonuses



Both bills introduce  
the concept of  
“Enrollment Bonuses”  
as incentives for additional  
matching funds  
under Title XIX.

# Enrollment Bonuses



## **Rockefeller-Snowe offers TWO Bonuses.**

States may qualify for enhanced Medicaid matching rates by:

### **1. Significantly increasing Medicaid enrollment**

- Qualification requirements for the enrollment bonuses are very significant.

### **2. Achieving high performance standards by:**

- Having more than 90% of children at or below 200% FPL without private insurance enrolled in public insurance, AND
- Enacting eligibility simplifications and quality assurance efforts.

Not clear whether California currently meets these bonus requirements.

# Enrollment Bonuses



## **Dingell-Clinton offers ONE bonus.**

Enhanced Medicaid matching rates can be achieved by:

- ❖ Implementing 12 months continuous eligibility; AND
- ❖ Implementing at least 3 out of 5 of the following:
  - Application outreach practices
  - One step application process
  - Administrative verification of income
  - Simplified, consistent application process (joint app)
  - Presumptive eligibility

It is more likely that California would qualify under this proposal, but not certain.

# Timing???



- ❖ Mark-up in both houses expected by mid-July?
- ❖ Floor action – end of July?
  - If a bill cannot be agreed upon, possibility for a simple continuation at current funding levels.

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# Comments & Questions



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